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22 June 1959

Copy No. C b2

# CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 36  
NO CHANGE IN CLASS. X  
CLASS. CHANGED TO: TS  
NEXT REVIEW DATE: 2010  
AUTH: HR 70-2  
DATE 4.14.82 REVIEWER:

DIA and DOS review(s)  
completed.

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Approved For Release 2003/03/10 : CIA-RDP79T00975A004500360001-2

Next 1 Page(s) In Document Exempt

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# CENTRAL INTELLIGENCE BULLETIN

22 June 1959

## DAILY BRIEF

### I. THE COMMUNIST BLOC

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USSR - East Germany: The communiqué signed on 20 June at the conclusion of the East German party-government delegation's visit to the USSR reiterated the major points made by Khrushchev in his Kremlin speech on 19 June. Expressing regret that the Western powers had thus far rejected Soviet proposals on Berlin, the communiqué warned that the USSR and East Germany "will not sanction the preservation of the occupation regime indefinitely" and are determined to take "all necessary measures for an earliest elimination of the abnormal situation in West Berlin." At the same time, however, it stated that the time limit on the Soviet-proposed "provisional status" of West Berlin is negotiable.

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Yugoslavia: The recent completion of a series of oil wells in Croatia, which has resulted in proved reserves capable of producing a total of at least 15,000 barrels per day, will have important implications for the Yugoslav economy.

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When in operation, the 20 wells already drilled could make Yugoslavia self-sufficient in crude oil production. Yugoslavia imported approximately 60 percent of its total crude oil requirements in 1957. Since three-fourths of these imports came from the Soviet bloc, this discovery will eliminate one source of economic pressure which the Kremlin has used on Tito.

## II. ASIA-AFRICA

UAR-Israel: Tensions continue over UAR actions to deny the use of the Suez Canal to Israeli-owned or -chartered merchant ships. The UAR is still holding the Israeli-chartered freighter Inge Toft and its cargo. On 17 June, UAR authorities detained for 24 hours a Panamanian freighter--bound from Antwerp to Japan--on suspicion that it was carrying Israeli cargo.

Two other ships of non-Israeli registry are now reported to be loading in Haifa and may attempt to transit the canal. Israel may respond to any UAR action against these freighters by direct interference with UAR shipping between Egypt, Syria, and Lebanon. The UAR Government, concerned over the possibility of such retaliation, is reported to have ordered that only ships of foreign registry be used for such voyages.

Indonesia: (The political deadlock in Djakarta is accelerating the deterioration of the Indonesian economy, with accompanying benefits for the Communist party, according to the American ambassador. Inflationary shortages are "beginning an ominous pinch" on urban workers and armed forces personnel, and this is increasing the following of the Communists in these influential circles. There appears to be little prospect of effective government action, even when President Sukarno returns from his foreign travels.)

Malaya: The first major defeat to be suffered by the moderate Alliance, Malay's pro-Western ruling party, has threatening implications for future stability there. The Alliance was defeated in a state assembly election on 20 June by the narrow, racially oriented Pan-Malayan Islamic party, thus raising the possibility of a break in Malay support for the Alliance concept of multiracial cooperation. Such cooperation is essential to the maintenance of peaceful relations between the Malay and Chinese communities. Recent reports state that the Islamic party may be receiving support from Indonesian Communist sources.

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DAILY BRIEF

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### III. THE WEST

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Cuba: The drastic purge of air force officers carried out during the past week apparently was instigated by Raul Castro, the extremist young armed forces chief and brother of the prime minister. The affected officers, including most of Cuba's rated pilots, were known to be seriously concerned over Communist penetration of the armed forces. The purge follows an important shake-up in army commands and reports of the discharge of army officers in various parts of the country. Meanwhile, rising opposition to the regime among other groups resulted during the week in the first wave of antigovernment terrorism since the fall of Batista.

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## I. THE COMMUNIST BLOC

### Significant Oil Field Discovered in Yugoslavia

The Yugoslavs have recently completed exploration of an oil field in Croatia which is the largest in Western Europe,

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now has 20 wells and is capable of producing 15,000 barrels per day, which would raise Yugoslav production 166 percent. Exploitation of this field can begin after the construction of tanks and pipelines. If the field is exploited in the proper manner and the wells produce at their maximum efficient rate, Yugoslavia will be at least the second largest crude oil producer in Western Europe by 1963, according to the source.

This discovery will have sizable implications for the Yugoslav economy, as the 20 wells can make Yugoslavia self-sufficient in crude oil production and enable it to conserve--perhaps even earn--badly needed foreign exchange. In 1957 the country imported approximately 60 percent of its total crude oil requirements, with three fourths coming from the Soviet bloc; the withholding of crude oil shipments has been one of the bloc's principal means of putting economic pressure on Yugoslavia.

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## II. ASIA-AFRICA

### Indonesia

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(The inability or unwillingness of Indonesian Government and Army leaders to take effective action to break the political deadlock over constitutional reform in President Sukarno's absence is contributing to a continued and accelerated decline in Indonesia's economy. The economic decline in turn is further strengthening the Communist party of Indonesia (PKI), on which Sukarno is already dependent for his constitutional reforms.)

(According to the American ambassador in Djakarta, the current economic crisis is beginning to cause an "ominous pinch" among urban laborers, white-collar workers, and members of the armed forces, although it has not yet affected the bulk of the population. The pinch, however, is building up PKI following among the influential groups from which the Communists must draw strength for their ultimate revolutionary goals.)

(Illustrating Djakarta's economic plight, the ambassador notes that prices on essential commodities have doubled in the past year while wages have remained relatively constant; major imports, handled by inexperienced army officers through government monopolies, have fallen off to the point where, because of shortages of raw materials, factories are operating at only 50 percent of capacity; and government employees are ignoring their official functions in order to take outside jobs to supplement their incomes. Labor discontent, bottled up by government prohibition of strikes, is increasing, and owners of capital are attempting to exchange their money for hard currencies and gold. In the past two weeks the rupiah has declined one third on the free market.)

(There is no assurance that President Sukarno will take effective action after his return to Djakarta on 29 June, even though he might achieve his aim of a reversion to the 1945 constitution. Previous economic crises have found Sukarno quite unconcerned, and it seems unlikely he will resolve the political conflicts wracking the country.)

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# Ruling Party in Malaya Receives Sharp Setback in State Election

The ruling Alliance party of Malaya suffered its first major defeat on 20 June when it won only seven of 24 seats in the Trengganu state assembly election. The narrow, racially oriented Pan-Malayan Islamic party (PMIP) won a clear majority of 13 seats, and the equally narrow Negara party won four. This is the first time since Malaya achieved independence nearly two years ago that the politically predominant Malays have failed to give a large majority to the United Malay National Organization (UMNO), the Malay organ and leading component of the Alliance; the development represents a serious threat to the Alliance concept of multiracial cooperation which is essential to stability in Malaya, where half the population is non-Malay. Chinese comprise about 37 percent and Indians 11 percent of the total population.

While the Alliance has swept eight previous state elections in the past month, there has been a definite increase in Malay support for the PMIP in most states. Federation officials have recently expressed considerable concern over the apparently large resources of the PMIP and reportedly have good evidence that Indonesian Communists are extending considerable financial support. The PMIP is headed by a political opportunist who apparently is willing to accept support from any source.

The victory in Trengganu can be expected to improve the PMIP's chances in the last two state elections in neighboring Kelantan and Pahang and may significantly reduce Alliance prospects of winning an overwhelming majority in the national elections in August.

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### III. THE WEST

#### Cuban Air Force Purge Coincides With Rising Opposition To Regime

Major Raul Castro, brother of the prime minister and chief of the Cuban armed forces, was responsible for the drastic air force purge which resulted in the dismissal of most of the force's rated pilots, [REDACTED]

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[REDACTED] The purge, which became public knowledge on 18 June, also resulted in the replacement of Major Pedro Diaz Lanz as air force chief.

Diaz Lanz, who was prominent among those officers seriously preoccupied with Communist penetration of the armed forces, is believed to have been particularly worried about the Communist influence in the recently established schools that have been giving six-week courses in political indoctrination to many Cuban military personnel. [REDACTED]

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The air force purge follows an important shake-up in army commands and reports of the discharge of army officers in several parts of the country. These moves reflect the regime's efforts to remove potential dissidents from the military.

Rising opposition to the regime among other groups led during the week to the first significant wave of antigovernment terrorism since the fall of Batista last January and to increasing evidence of government fear of an imminent counterrevolutionary effort.

The American army attaché in Cuba believes Raul Castro's frequent trips to eastern Cuba during the week may be related to fear of an attack from the Dominican Republic in retaliation for probable Cuban support of the 14 June rebel landings in that country. A knowledgeable Cuban exile in the Dominican Republic told an American Embassy officer in that country on 18 June that an armed Cuban exile force there was nearly ready to attack Cuba, but that he believes the attempt will probably fail. [REDACTED]

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